



OFFICE OF HOUSING

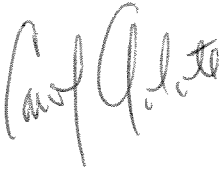
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

JUN 17 2011

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MEMORANDUM FOR: All Hub and Program Center Directors  
Supervisory Project Managers

FROM:  Carol J. Galante, Deputy Assistant Secretary for Multifamily  
Housing, HT

SUBJECT: Renewal of Expiring Project Assistance Contracts (PACs) Under the  
Section 202 Program of Supportive Housing for the Elderly and for  
Persons with Disabilities for Fiscal Year 2011

The Department of Defense and Full-Year Appropriations Act 2011 authorized the Department to renew PAC contracts that have expired or are expiring in Fiscal Year 2011 for a term of one year. This memorandum provides instructions for renewing a PAC for Section 202 in Fiscal Year 2011.

Generally, an Owner must submit a written request for renewal of a PAC to the Program Center with jurisdiction no later than 30 days before the expiration of the contract. This will provide the Program Center with time to review and process the renewal request. If the contract has already expired, the Owner needs to submit its request as soon as possible. The renewal term of the contract is one year. The effective date of the new contract is the day following the expiration date of the previous contract. For the expired contracts, the Owner will receive a retroactive rent increase, if applicable.

The written request for renewing a PAC contract must include the submission of an operating budget. If the Owner is requesting an increase in project assistance, the request must also detail project needs and summarize the reasons why an increase in project assistance is needed, including necessary increases to the Reserve for Replacement. If approved, an increase in the project assistance will be effective the date of the renewal contract. For general guidance on requesting and processing a rent increase, consult HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing, Chapter 7, as modified below.

1. Paragraph 7-30.P. of HUD Handbook 4350.1 does not apply. The budget will no longer include a 2 percent contingency reserve for PAC projects owned by nonprofits and those projects once owned by nonprofits but which have been sold to limited dividend partnerships. In its place, the Owner may include a typical vacancy factor not to exceed five percent.
2. PAC projects with low income housing tax credits may include in their budgets a commercial reasonable cost of the annual compliance reports (a.k.a. state allocating agency's compliance and asset monitoring fees) that must be submitted to the tax credit allocation entity.

Owners of PAC properties cannot use funds remaining in the existing or expired contract. The Department will be recapturing these funds at some point in the future.

Attached is a list of properties with PAC contracts some of which will or have expired this fiscal year (Attachment A). If there are projects that should be added to, or removed from, the attached list, please provide the information to Stan Houle in the Office of Housing Assistance and Grant Administration. His email address is Stanley.R.Houle@hud.gov.

Program Centers are asked to submit the renewal needs of each of the projects on the attached list that are within your jurisdiction to the Office of Housing Assistance Contract Administration, Financial Operation Division's Funding SharePoint site at [http://hudsharepoint.hud.gov/sites/DASMFH/OHACAO/FOD/FOD\\_Funding/default.aspxund](http://hudsharepoint.hud.gov/sites/DASMFH/OHACAO/FOD/FOD_Funding/default.aspxund). This site will provide a centralized forum for funding issues.

The attached contract renewal form (Attachment B) must be executed upon reservation of the project rental assistance funds. A Word version of the contract will be posted to the web for the Program Centers to use at:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/mfhsec8](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8)

If you have any questions on renewal policy, please contact Stan Houle at (202) 402-2572 and on funding issues, please contact Linda Dority at (202) 402-2862.